1967 **Amendment Summary**

. . . . a summary of the Social Security Amendments of 1967 as they relate to titles II and XVIII of the Social Security Act

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Social Security Administration

December 14, 1967

INTRODUCTION

Contents and Organization

This Summary is based on the retirement, survivors, disability, and health insurance provisions of H.R. 12080, the Social Security Amendments of 1967. It is issued as an aid in acquainting SSA personnel with these provisions. No attempt has been made to include legal or policy interpretations or implementation.

Part I of this Summary is set up in sections corresponding to the Claims Manual chapters most affected. Where a single provision of the amendments has considerable impact on more than one CM chapter, it may be stated in full in both of the appropriate sections of the Summary, or the sections may be cross-referred, or a single section of the Summary may cover more than one CM chapter.

Part II of the Summary, with its own table of contents and page-number series, covers all the amendments to the health insurance program, including those covered in the first part. This has been done because Part II is also being distributed separately to people outside SSA who are involved in administration of the health insurance program. For the convenience solely of users who received and have retained the Summary of the Social Security Amendments of 1965 Relating to Health Insurance for the Aged, Part II of the present Summary is arranged and numbered to parallel the sections of that 1965 health insurance Summary. It includes a listing of those sections of the 1965 health insurance Summary whose provisions are not changed by the 1967 amendments. However, use of the present Summary does not require reference to the 1965 Summary.

Dates

The date of enactment of H.R. 12080 is the date the President signs the bill into law. In the interest of earliest possible distribution, this Summary was sent to the printer before the President signed the bill, and thus before the date of enactment and Public Law number of the amendments were known. For the purposes of this Summary, it was assumed the President would sign the bill in December 1967. Therefore, throughout the Summary, 12/67 has been used as the month of enactment; all effective dates related to the month of enactment are based on assumed enactment in 12/67.

where the Summary says "on enactment" or "date of enactment" read 1/2/68.
" " " refers to "applications filed in or after 12/67" this should be "in or after

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PART II--HOSPITAL AND SUPPLEMENTARY MEDICAL INSURANCE

200. WIFE'S BENEFITS

A. Amount of Wife's Benefit

1. Maximum Wife's Benefits

A specified ceiling has been placed on the amount of a wife's benefit. Although the amount of a wife's benefit remains at 50 percent of her husband's PIA, it may not exceed $105. (This provision has no immediate effect since currently 50 percent of the WE's PIA cannot exceed $105.)

2. Wife of Transitionally Insured WE

The monthly benefit amount for the wife of a WE insured only under the transitional insured status provision is increased from $17.50 to $20.

B. Effective Date of Changes

The changes in the benefit amount are effective for benefits beginning 2/68 regardless of when the application is filed.

250. HUSBAND'S BENEFITS

A. Requirements for Entitlement

The amendments eliminate the requirement that the WE be currently insured. The other requirements for entitlement are unchanged.

B. Extension of the Period for Filing Proof of Support

Where the claimant is not entitled to husband's benefits except for the elimination of the currently insured status provision, the period for filing proof of support has been extended. In this instance, proof of support must be filed before 3/70.

C. Amount of Benefit

The amount of a husband's benefit remains at 50% of his wife's PIA, but may not exceed $105. (This provision has no immediate effect since currently 50% of the WE's PIA cannot exceed $105.)

D. Effective Date of Changes

The new entitlement provision which eliminates the requirement that the WE be currently insured is effective for 2/68 based on applications filed in or after 12/67.

300. CHILD'S BENEFITS

A. Payments to Certain Children (Illegitimate Child Cases)

1. Residual Payment to Illegitimate Children

The 1967 amendments provide that benefits payable to an illegitimate child who qualifies only under section 216(h)(3) of the Act, as added by the 1965 amendments (i.e., a child who neither has inheritance rights from the WE under State law nor is deemed to be the WE's child by virtue of an invalid ceremonial marriage), shall be "residual." That is, where the family maximum is involved, such a child's benefit will be equal to the difference, if any, between the total benefits payable to the other beneficiaries and the maximum payable on that account. Benefits to the other beneficiaries will be computed as though such child were not entitled.

This provision is effective for monthly benefits payable for all months based on applications of such children filed after 1967.

2. Illegitimate Child Saving Clause

The amendments provide a saving clause for beneficiaries whose benefits were reduced because of the entitlement of an illegitimate child under section 216(h)(3) (see 1. above). The saving clause applies to cases in which beneficiaries are entitled to benefits for January 1968 (based on applications filed January 1968 or earlier) and such illegitimate children are entitled to benefits for January 1968 and were entitled to benefits for months prior to January 1968 (based on applications filed before January 1968). In such cases, benefits to the other beneficiaries will be computed as though these illegitimate children were not entitled. Benefits to these illegitimate children will be computed in the usual manner.

This provision is effective for monthly benefits beginning February 1968.

See sections 4300 J and K of this summary for further discussion of these provisions.

B. Other Changes

See section 2400 of this Summary for changes in the meaning of the terms "stepchild" and "legally adopted child."

See section 2650 of this Summary for changes in dependency requirements for entitlement on the account of a natural or legally adopting mother or of a stepmother; and for changes in the dependency requirement in the case of a child legally adopted after the WE's entitlement to a DIB.

400. WIDOW'S BENEFITS

A. Widow Defined

A woman may qualify as the widow of a deceased WE if she was married to him for a period of at least 9 months immediately preceding the day on which he died.

In addition, the woman will be deemed to meet the 9-month requirement if the marriage lasted at least 3 months and the WE's death either:

1. Was accidental, or

2. Occurred in the line of duty while he was a member of a uniformed service, serving on active duty.

The WE's death is defined as accidental if he received bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, died within 3 months after the day he received the injuries.

The exception to the 9-month duration-of-marriage requirement does not apply if the Secretary determines that, at the time of the marriage, the WE could not have reasonably been expected to live for 9 months.

B. Requirements for Entitlement

The requirements for entitlement to widow's benefits are the same as before the 1967 amendments, except that a widow or surviving divorced wife who has not attained age 60 may qualify if she:

1. Has attained age 50 and

2. Is under a disability as explained in C below.

Note that entitlement to widow's benefits, whether based on disability or not, and unlike entitlement to mother's benefits or the LSDP, requires that the WE died fully insured.

C. Disability Requirements

The disability requirements referred to in B.2. above are as follows:

1. The widow or surviving divorced wife must be under a disability as defined in section 6500 of this Summary.

2. The disability may have begun before or after the WE's death. However, it must have begun before the month in which the claimant attained age 60, and before the end of an 84-month period following the latest of:

a. The month of the WE's death, or

b. The last month for which she was entitled to mother's insurance benefits, or

c. The month in which her previous entitlement to a widow's insurance benefit terminated because her disability had ceased.

3. The widow or surviving divorced wife must have been under a disability throughout a waiting period of 6 consecutive calendar months before benefits are payable. The waiting period can begin no earlier than whichever is later:

a. The 18th month before she files application, or

b. The 6th month before the beginning of the period described in 2 above.

No waiting period is required if the claimant was previously entitled to widow's benefits based on disability.

D. Amount of Benefit

1. A widow's insurance benefit for months prior to age 60 is reduced according to the number of months of her entitlement prior to age 60. (This reduction is in addition to the reduction required for each of the 24 months between age 60 and 62.) See section 4300 of this Summary for computation of benefits.

2. See section 4300 of this Summary for adjustment of reduction factor at age 62.

3. The benefit of a widow who remarried after age 60 is fixed at 50 percent of her deceased husband's PIA, but may not exceed $105. (This provision has no immediate effect since currently 50 percent of the deceased WE's PIA cannot exceed $105.)

4. The benefit of a widow who qualifies only under the transitional insured status provision is increased to $40.

5. When a disabled widow (or surviving divorced wife) under age 60 becomes entitled for 2/68, and there are other beneficiaries on the rolls (based on applications filed in or before 1/68), see section 4300 of this Summary for possible applicability of a saving clause if the maximum is involved.

E. Deductions--Suspensions

1. Benefits to a disabled widow or surviving divorced wife under age 60 are subject to deductions because of refusal without good cause to accept vocational rehabilitation services.

2. The annual earnings test and the foreign work test do not apply to disabled widows or surviving divorced wives who become entitled before age 60; however, see 3 below if a report of work is received.

3. When notice is received that a disabled widow or surviving divorced wife is working, her benefits may be suspended pending development to determine if she is still disabled.

4. The alien nonpayment provisions have been made stricter as indicated in Summary section 5200.

F. Termination

The entitlement of a disabled widow or surviving divorced wife terminates under the same conditions as a widow's or surviving divorced wife's entitlement before the 1967 amendments. In addition, widow's benefits based on disability end with the third month following the month in which the disability ceases, unless she attains age 62 before the last day of such third month. Of course, she may reapply on attaining the proper age.

G. Effective Date

The new provisions covering benefits for disabled widows and surviving divorced wives, and the new duration-of-marriage requirements, are effective for benefits beginning 2/68 based on applications filed in or after 12/67. The maximum remarried widow's benefit provision in D.3. above is effective for benefits beginning 2/68 regardless of when the application is filed. The benefit increase for the widow of a transitionally insured WE is effective 2/68.

450. WIDOWER'S BENEFITS

A. Widower Defined

A man may qualify as the widower of a deceased WE if he was married to her for a period of at least 9 months immediately preceding the day on which she died.

In addition, the man will be deemed to meet the 9-month requirement if the marriage lasted at least 3 months and the WE's death either:

1. Was accidental, or

2. Occurred in the line of duty while she was a member of a uniformed service, serving on active duty.

The WE's death is defined as accidental if she received bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, died within 3 months after the day she received the injuries.

The exception to the 9-month duration-of-marriage requirement does not apply if the Secretary determines that, at the time of the marriage, the WE could not have reasonably been expected to live for 9 months.

B. Requirements for Entitlement

1. The 1967 amendments have eliminated the requirement that the WE must have died currently insured.

2. As an alternative to the age 62 requirement, a man who has not attained age 62 may qualify if he has attained age 50 and is under a disability as explained in D below.

C. Extension of the Period for Filing Proof of Support

When the claimant cannot be entitled to widower's benefits except for the elimination of the currently insured requirement, the period for filing proof of support has been extended so that proof of support must be filed within 2 years after 2/68.

D. Disability Requirements

The disability requirements referred to in B.2. above are as follows:

1. The claimant must be under a disability as defined in section 6500 of this Summary.

2. The disability may have begun before or after the WE's death. However, it must have begun before the month in which the claimant attained age 62, and before the end of the 84-month period following the later of:

   a. The month of the WE's death, or

   b. The month in which his previous entitlement to widower's insurance benefits terminated because his disability had ceased.

3. Generally, the claimant must have been under a disability for a period of 6 consecutive calendar months before benefits are payable. This waiting period can begin no earlier than either 18 months before he files application, or 6 full calendar months before the WE died, whichever is later. No waiting period is required if the claimant was previously entitled to widower's benefits based on disability.

E. Amount of Benefit

1. A widower's insurance benefit for months prior to age 62 is reduced according to the number of months of entitlement prior to age 62. See section 4300 of this Summary for computation of benefits.

2. See section 4300 of this Summary for adjustment of reduction factor at age 62.

3. The benefit amount of a widower who remarries after age 62 is fixed at 50 percent of his deceased wife's PIA but cannot exceed $105. (This provision has no immediate effect since currently 50 percent of the deceased WE's PIA cannot exceed $105.)

4. When a disabled widower becomes entitled for 2/68, and there are other beneficiaries on the rolls (based on applications filed in or before 1/68), see section 4300 of this Summary for the possible applicability of a saving clause if the maximum is involved.

F. Deductions--Suspensions

1. Benefits to a disabled widower under age 62 are subject to deductions because of refusal, without good cause, to accept vocational rehabilitation services.

2. The annual earnings test and the foreign work test do not apply to disabled widowers; however, see 3 below if a report of work is received.

3. When notice is received that a disabled widower is working, his benefits may be suspended pending development to determine if he is still disabled.

4. The alien nonpayment provisions have been made stricter as indicated in Summary section 5200.

G. Termination

The entitlement of a disabled widower terminates under the same conditions as a widower's entitlement before the 1967 amendments. In addition, benefits end with the third month following the month in which his disability ceases, unless he attains age 62 before the last day of such third month.

H. Effective Date

The new provisions covering benefits for disabled widowers, the new duration-of-marriage requirements, and the elimination of the currently insured status requirement are effective for benefits beginning 2/68 based on applications filed in or after 12/67. The maximum remarried widower's benefit provision is effective for benefits beginning 2/68 regardless of when the application is filed.

500. MOTHER'S BENEFITS

A. Mother Defined

The one-year marriage requirement is amended to permit a woman to qualify for mother's benefits as the widow of a deceased WE, if she was married to him for a period of at least 9 months immediately preceding the day on which he died.

In addition, the woman will be deemed to meet the 9-month requirement if the marriage lasted at least 3 months and the WE's death either:

1. Was accidental, or

2. Occurred in the line of duty while he was a member of a uniformed service, serving on active duty.

The WE's death is defined as accidental if he received bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, died within 3 months after the day he received the injuries.

The exception to the 9-month duration-of-marriage requirement does not apply if the Secretary determines that, at the time of the marriage, the WE could not have reasonably been expected to live for 9 months.

B. Effective Date of Changes

The change in the duration-of-marriage requirement is effective for 2/68 on the basis of applications filed in or after 12/67.

800. SPECIAL AGE 72 PAYMENTS

A. Increase in Benefit Rates

The special age 72 payment for the primary beneficiary (J) is raised from $35 to $40 a month. The payment for the spouse (K) is raised from $17.50 to $20 per month.

The offset, if either "J" or "K" is entitled to or eligible for a governmental pension, is based on these increased rates.

B. Effective Date

This provision is effective for payments due for and after 2/68.

A. Maximum Wages Creditable in a Calendar Year

The amendments raise the maximum amount of wages that may be credited to an individual's earnings record from $6,600 to $7,800 beginning in 1968.

B. Changes in Social Security Tax Rates

The rates of employee and employer tax applicable to wages for both the RSDI and health insurance programs are changed beginning with 1968. Below is a table showing the revised rates. (The combined tax rate shown for each year is the total of the two tax rates for financing the RSDI program and the health insurance program.)

Wages Received During Calendar Years	RSDI Rate (Percent)	Hospital Insurance Rate (Percent)	Combined Rate (Percent)
1968	3.80	0.60	4.40
1969-1970	4.20	0.60	4.80
1971-1972	4.60	0.60	5.20
1973-1975	5.00	0.65	5.65
1976-1979	5.00	0.70	5.70
1980-1986	5.00	0.80	5.80
After 1986	5.00	0.90	5.90

C. Free Military Wage Credits

A member of a uniformed service (as defined in section 210(m) of the Act) will receive credit for deemed wages, beginning with the March 1968 quarter, in addition to his basic pay in the quarter. The amount of deemed wages which may be credited for a quarter is:

1. $100 if the basic pay paid in the quarter is $100 or less;

2. $200 if the basic pay paid in the quarter is more than $100 but not more than $200;

3. $300 if the basic pay paid in the quarter is more than $200.

Crediting of deemed wages is subject to the maximum wage limitations contained in the law. The deemed wages may be used in determining entitlement to, and the amount of, monthly benefits payable for

months after December 1967; in determining entitlement to, and the amount of, lump-sum death payments where the death occurs after 1967; and in establishing a period of disability for freeze purposes. The cost of the additional benefits payable as a result of this provision will be paid from general revenues.

D. The amendments exclude from the definition of wages, effective after the date of enactment, any payment or series of payments by an employer to an employee or any of his dependents which is paid:

1. Upon or after termination of the employment relationship and such termination is because of death, retirement for disability, or retirement after attaining an age specified in the plan under which it is paid (or in the employer's pension plan); and

2. Under a plan established by the employer which makes provision for his employees generally, or for a class or classes of his employees, or for such employees and their dependents.

However, this wage exclusion does not apply to a payment or series of payments which would have been made if the employee had not retired, died, or become disabled.

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Employment of a Parent as a Domestic in the Private Home of his Son or Daughter

A. The amendments provide an exception to section 210(a)(3)(B) of the Act which excludes from employment domestic services in the private home of the employer, performed by an individual in the employ of his son or daughter. Under the amendments, this exclusion is not applicable to domestic services rendered by a parent in the employ of his son or daughter if:

1. The son or daughter (the employer) is a widow or widower, or is a divorced individual and has not remarried, or has a spouse living in the home who, because of a mental or physical condition, is incapable of caring for a child of the employer referred to in (2) below for at least 4 continuous weeks in the calendar quarter in which the domestic services are rendered; and

2. A child of the employer is living in the home (the term "child", as pertinent to this section, is limited to the son, daughter, adopted son, adopted daughter, stepson, or step-daughter of the employer); and

3. The child (referred to in (2)) has not attained age 18, or if he is age 18 or older, he has a mental or physical condition which requires the personal care and supervision of an adult for at least 4 continuous weeks in the calendar quarter in which the services are rendered.

B. The amendments made by this section shall apply with respect to services rendered after December 31, 1967.

C. Domestic services performed in a private home by a parent of the employer when the above specified conditions are not met continue to be excluded from coverage under section 210(a)(3)(B) of the Act.

1400. STATE AND LOCAL GOVERNMENTS

A. Exclusion of Emergency Services

The 1967 amendments provide that services performed after 1967 by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood or other similar emergency are mandatorily excluded from coverage under State agreements.

Prior to 1/1/68, emergency services are covered unless excluded at the option of the State at the time coverage is provided.

B. Services of Election Officials and Election Workers

Prior to the 1967 amendments there was no provision for a specific exclusion of the services of election officials or election workers. The exclusion of such services was possible however, by exclusion of election officials and election workers as a class of part-time positions.

Under the amendments a State may modify its agreement on or after January 1, 1968, to specifically exclude the services of election officials or election workers whose pay in a calendar quarter for such services is less than $50. This prospective exclusion may apply only to such services of election officials and election workers after an effective date, specified in the modification, which may not be earlier than the last day of the calendar quarter in which the modification is mailed or delivered by other means to the Administration.

C. Coverage of Ineligibles Where a Retirement System is Divided on Basis of Members' Desires

Where a retirement system is divided into two parts on the basis of the members' desires for coverage, the ineligibles (individuals in positions under the retirement system who are personally disqualified from becoming members) are deemed to be in the part of the system which does not desire coverage. Thus, their services are not covered under the divided retirement system procedure.

Under the 1967 amendments, any State which is authorized to use the divided retirement system procedure may modify its agreement to deem the ineligibles to be in positions in the part of the system which desires coverage and is included under the agreement. This coverage may be provided either at the time coverage is initially extended to the retirement system coverage group which desires coverage or at a later date. Ineligibles do not have the right of individual choice.

D. Dividing a Retirement System on Basis of Members' Desires

Effective as of the date of enactment of the amendments, the State of Illinois is added to the list of States which may divide a retirement system on the basis of the desires of the membership for social security coverage.

E. Reopening of Opportunity to Elect Coverage on Desire for Coverage Basis

The 1967 amendments reopen the opportunity to elect coverage under the provisions of section 218(d)(6)(C) of the Act through December 31, 1969. Any State in which coverage was extended to a retirement system coverage group on the basis of the desires of the members of a retirement system may offer the members who did not choose coverage another chance to do so. The effective date of coverage is the same as that initially provided for the retirement system coverage group.

F. Coverage of Firemen's and Policemen's Positions Under a Retirement System

Effective upon enactment, the Commonwealth of Puerto Rico is added to the list of States which may cover the services of employees in firemen's and policemen's positions which are under a retirement system.

G. Coverage of Services of Certain Firemen in Nebraska

Services of employees in firemen's positions under a retirement system are excluded from coverage under the State of Nebraska's social security coverage agreement. In error, the services of certain individuals employed by political subdivisions in Nebraska in firemen's positions under a retirement system were reported as part of the nonretirement system coverage group.

The amendments validate the coverage for services in firemen's positions under a retirement system performed before enactment of this amendment with respect to which amounts equivalent to the employer and employee share of taxes under the Internal Revenue Code have been timely paid in good faith and for which no refund has been obtained.

H. Coverage for Firemen's Positions Under a Retirement System

Services in firemen's positions under a retirement system are excluded from coverage except in those States authorized in section 218(p) of the Act to provide such coverage.

The amendments provide that a State may be deemed to be listed in section 218(p) and thus authorized to extend coverage to services in firemen's positions under a retirement system provided the Governor or a designated State official certifies to the Secretary of Health, Education, and Welfare that the extension of social security coverage to these services will improve the overall benefit protection of the firemen in such positions.

These firemen's positions shall be deemed to be a separate retirement system for purposes of the referendum and coverage. Coverage under the agreement is possible only if a favorable referendum is held among the eligible employees in firemen's positions in accordance with the provisions of section 218(d)(3) of the Act.

The amendment applies to modifications of State agreements made after the date of enactment of the amendments.

I. Deeming Former Employees to be Part of Coverage Group on Date Designated in Modification

Where retroactive coverage is provided for a coverage group, a State may include in the coverage group those former employees who had been part of the coverage group and whose earnings were erroneously reported to the Internal Revenue Service under the FICA providing no refund has been made. Thus the State may deem such former employees to be members of the coverage group on the date designated pursuant to section 218(f)(2) of the Act in the modification including the group under the agreement.

J. Termination of Coverage of Certain Services in Massachusetts

Services of employees in nonretirement system positions of the Massachusetts Turnpike Authority, a political subdivision of the State of Massachusetts, are covered under the State agreement with coverage beginning January 1, 1954.

The 1967 amendments provide that the Secretary of Health, Education, and Welfare may, under such conditions as he deems appropriate, permit the State of Massachusetts to terminate the coverage of the employees of the Massachusetts Turnpike Authority effective at the end of any calendar quarter within two years after the filing of notice with him. If terminated, coverage may not again be extended to the employees of this Authority.

K. Coverage of Services Performed in Positions Compensated Solely on a Fee Basis

Prior to the 1967 amendments services performed by employees in any class or classes of positions compensated solely on a fee basis were covered unless the State chose to exclude such positions when providing coverage.

The 1967 amendments provide that services performed after 1967 by State and local employees in positions compensated solely on a fee basis which are not covered under an agreement are compulsorily covered as self-employment income with one temporary exception. That is, an employee occupying such a position in 1968 and whose services are not covered under an agreement may make an irrevocable election not to have such fees constitute SEI for 1968 and all succeeding years. (See section 1500 B of this Summary.)

A State may modify its agreement to extend coverage to services performed after 1967 in any class or classes of positions compensated solely on a fee basis. Such a modification may be effective beginning with the first day of the year after the year in which the modification is executed.

If these services are covered under an agreement, a State may modify its agreement any time after 1967 to exclude the above services. The exclusion will be effective the first day of the year following the year in which the modification is executed. Where this exclusion is taken these services may never again be covered under a State agreement.

This provision does not apply to individuals who are employed to assist or work in connection with the services performed by the individual who is in a position compensated solely on a fee basis.

A. Coverage of Ministers, Members of Religious Orders, and Christian Science Practitioners

1. Self-Employment Coverage Extended on Compulsory Basis

The 1967 amendments provide (effective for taxable years ending after 1967) for the compulsory self-employment coverage of services performed in their respective callings by a minister, Christian Science practitioner, or member of a religious order who has not taken a vow of poverty, unless the minister, practitioner, or member has been granted an exemption from such coverage by the Internal Revenue Service. Services which a member of a religious order who has taken a vow of poverty performs in the exercise of his duties required by the order remain excluded from self-employment coverage.

In order to obtain an exemption the minister, practitioner, or member must file an application with the IRS office, together with a statement that for reasons of religious principles or conscience he is opposed to the acceptance (with respect to services performed by him as a minister, practitioner, or member) of public insurance which makes payments in the event of death, disability, old-age, or retirement or makes payments toward the cost of, or provides services for, medical care (including the benefits of any insurance system established by the Social Security Act). A minister, practitioner or member is not eligible for an exemption if he had filed an effective waiver certificate electing coverage (form 2031) under the provisions of the IRC in effect before the 1967 amendments.

2. Time for Filing Application for Exemption

A minister, Christian Science practitioner, or member of a religious order who desires exemption from coverage must file an application for exemption on or before whichever of the following dates is later:

a. The due date (including any extension thereof) of his tax return for the second taxable year

(whether or not consecutive) for which he has net earnings from self-employment of $400 or more, any part of which was derived from his services as a minister, Christian Science practitioner, or member of a religious order; or

b. The due date (including any extension thereof) of his tax return for his second taxable year after 1967, i.e., April 15, 1970, for calendar year taxpayers.

3. Effective Date of Exemption

An exemption is effective for the individual's first taxable year ending after 1967 for which he has net earnings from self-employment of $400 or more, any part of which is derived from his activities as a minister, Christian Science practitioner, or member of a religious order, and for all succeeding years. Upon approval of an application for exemption, it becomes irrevocable.

4. Income to Which the Exemption Applies

The exemption applies only to the income derived from services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, by a member of a religious order (other than a member who has taken a vow of poverty as a member of his order) in the exercise of duties required by such order, and by a Christian Science practitioner in the exercise of his practice.

B. Employees of State and Local Governments Compensated Solely on a Fee Basis

Effective with 1968 self-employment coverage is extended mandatorily, with one exception, to services performed by employees of State and local governments in positions compensated solely on a fee basis if such services are not covered under a Federal-State coverage agreement. (See section 1400-K of this Summary for the conditions under which the States may elect to cover or to exclude these services under Federal-State coverage agreements.)

Any individual occupying such a position in 1968 and whose services are not covered under an agreement is afforded the opportunity to

elect to be exempt from self-employment coverage with respect to fees received in 1968 and every year thereafter by filing an irrevocable certificate of election of exemption with the Internal Revenue Service. This certificate must be filed on or before the due date of his Federal income tax return for 1968 (including any extensions thereof). For calendar year taxpayers, the time limit for filing is April 15, 1969.

Employees occupying positions compensated partly by fees and partly by salary are not affected by this amendment.

C. Exclusion of Retirement Payments to Retired Partners

1. The Exclusion

Before the 1967 amendments, retirement payments received by a retired partner from a partnership (of which he is a member or a former member) were, in general, included in his net earnings from self-employment for social security purposes.

Under the 1967 amendments, these payments are excluded from net earnings from self-employment for coverage and retirement test purposes, provided:

a. They are made under a qualified written plan of the partnership which provides for periodic payments on account of retirement at least until the partner's death; and

b. The partner rendered no services in any business conducted by the partnership (or its successors) during the taxable year of the partnership ending within or with his taxable year; and

c. At the end of the partnership's taxable year there is no obligation from the other partners to the retired partner other than with respect to the retirement payments under the plan; and

d. The partner's share in the capital of the partnership has been paid to him in full by the end of the partnership's taxable year.

2. Effective Date

This provision is effective with respect to taxable years which end on or after December 31, 1967.

D. Exemption from Self-Employment Tax for Members of Certain Religious Sects--Extended Time Limitations for Filing

The 1967 amendments extend the deadline for the filing of IRS Form 4029 (Application for Exemption from Tax on Self-Employment Income and Waiver of Benefits) to December 31, 1968. The new deadline applies to individuals who had self-employment income for any taxable year ending prior to December 31, 1967. The basic time limitation for filing continues in effect for all other individuals, i.e., the due date for the return (including any extension thereof) for the first taxable year in which they have self-employment income. The amendments permit IRS, however, to extend the basic deadline administratively in certain instances.

E. Maximum Earnings Base

The amendments raise the maximum amount of SEI that may be credited to an individual's earnings record to $7,800 for taxable years ending after 1967.

F. Change in Self-Employment Tax Rate

The amendments change the tax rate on self-employment income for RSDI and hospital insurance purposes as follows:

Taxable Year Begins	RSDI Rate (Percent)	Hospital Insurance Rate (Percent)	Combined Rate (Percent)
In 1968	5.8	0.60	6.40
In or after 1969	6.3	0.60	6.90
In or after 1971	6.9	0.60	7.50
In or after 1973	7.0	0.65	7.65
In or after 1976	7.0	0.70	7.70
In or after 1980	7.0	0.80	7.80
In or after 1987	7.0	0.90	7.90

2400. RELATIONSHIP REQUIREMENTS

A. Definition of Child

1. Child Legally Adopted by WE's Surviving Spouse

The amendments provide that, in addition to a child legally adopted by the WE's surviving spouse within 2 years after the WE's death, a child legally adopted by the surviving spouse any time after the WE's death may also be deemed to be the WE's adoptive child if proceedings for adoption had been instituted by the WE before his death. In either situation, at the time of the WE's death:

a. The child must have been living in the WE's household; and

b. The child must not have been receiving regular and substantial contributions toward his support from:

(1) A public or private welfare agency which furnishes services or assistance for children, or

(2) Anyone other than the WE or his spouse.

2. Stepchild of Deceased WE

The 1-year relationship requirement is amended to permit a stepchild to qualify on a deceased WE's earnings record where the child's parent was married to the deceased WE for a period of at least 9 months immediately preceding the day on which he died.

In addition, the stepchild will be deemed to meet the 9-month requirement if the marriage lasted at least 3 months and the WE's death either:

a. Was accidental, or

b. Occurred in the line of duty while he was a member of a uniformed service, serving on active duty.

The WE's death is defined as accidental if he received bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, died within 3 months after the day he received the injuries.

The exception to the 9-month duration-of-marriage requirement does not apply if the Secretary determines that, at the time of the marriage, the WE could not have reasonably been expected to live for 9 months.

B. Definitions of Widow and Widower

The exception to the 9-month requirement (A.2. above) also applies to widows (Summary section 400 A) and widowers (Summary section 450 A).

C. Effective Date

The above changes are effective for benefits beginning 2/68 based on applications filed in or after 12/67.

A. Determining Child's Dependency on Mother

1. General

The 1967 amendments change the tests for determining a child's dependency on his mother so that they are now uniform with the tests used to determine a child's dependency on his father.

2. Dependency of Child on Natural or Adopting Mother

A child is always deemed dependent on his natural or adopting mother unless she was not living with or contributing to the support of the child at the applicable time, and either:

a. The child is neither her legitimate nor legally adopted child, or

b. The child has been adopted by some other individual.

3. Dependency of Child on Stepmother

A child is deemed dependent on his stepmother if the child was living with or receiving one-half of his support from the stepmother at the applicable time.

4. Effective Date

The above changes are effective for benefits beginning 2/68 based on applications filed in or after 12/67.

B. Determining Dependency of Child Legally Adopted by WE After WE Becomes Entitled to DIB

The amendments also provide alternative conditions under which a child who was legally adopted by a WE after the WE became entitled to DIB (or RIB if he was entitled to DIB for the month before the month he became entitled to RIB) may be found dependent on the WE. As an alternative to the requirement that (among other things) the child be adopted within 2 years after the WE's entitlement to DIB, the child may be found dependent on the WE if all the following conditions are met:

1. The adoption was supervised by a public or private child-placement agency, and

2. The adoption was decreed by a court of competent jurisdiction within the United States, and

3. The adopting parent had continuously resided in the United States for at least one year prior to the date of adoption, and

4. The child was under age 18 at the time the adoption took place.

This change is effective for benefits beginning 2/68 based on applications filed after date of enactment.

3500. ATTORNEYS AND OTHER REPRESENTATIVES

Direct Payment of Attorneys' Fees

The amendments provide for payment direct to attorneys (out of past-due benefits due successful claimants they have represented) of fees for services rendered by the attorneys in proceedings before the Administration. Such payment is to be whichever of the following is the smallest: (1) the amount of fee authorized by the Administration; (2) the amount of fee agreed upon by the attorney and the claimant; or (3) 25 percent of the claimant's past-due benefits. The provision is effective on enactment.

A. Transitional Insured Status

1. Benefit Increase

The monthly benefit rate for the WE insured only under the transitional insured status provision is raised from $35 to $40 per month, and the rate for the entitled wife is raised from $17.50 to $20 per month. The rate for a widow based on the earnings record of a transitionally insured WE is raised from $35 to $40 per month.

2. Effective Date

This provision is effective for payments due for and after 2/68.

B. Gift QC's

1. Requirements

If the WE is paid wages of at least $7,800 in a calendar year, each quarter in the year is a QC. If the WE has SEI and the total of his SEI and wages in a taxable year is at least $7,800, each quarter, any part of which falls in the taxable year, is a QC.

2. Effective Date

The provision for the crediting of gift QC's based on wages is effective for calendar years beginning with 1968; the provision for the crediting of gift QC's based on SEI or SEI/wages is effective for taxable years ending after December 31, 1967.

C. Simplified Method of Determining QC's for 1937-1950 Period

1. Method

The WE is deemed to have acquired one QC for each $400 of his total wages for the 1937-1950 period.

2. Requirements

This alternative method is used for determining a fully-insured status if:

a. There are at least 7 elapsed years after 1950 or, if later, the year the WE attained age 21, and before:

(1) In the case of a woman, the year in which she died, or if earlier, the year she attained age 62, or

(2) In the case of a man, the year he died, or if earlier, the year he attained (or would attain) age 65; and

b. The WE is a fully insured individual on the basis of the QC's derived using this method plus the QC's derived from the wages and SEI credited for periods after 1950.

3. Effective Date

This provision for determining QC's is effective for RIB on the basis of applications filed after the date of enactment. In death cases, it is applicable if the WE died after the date of enactment without being entitled to RIB or DIB.

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A. Benefit Increase

1. Effective with 2/68 a new table which increases 1965 PIA's by 13 percent (with a minimum PIA of $55) is introduced into section 215(a) of the Act. The 1967 PIA's apply in determining the benefits payable for 2/68 and later months and apply with respect to LSDP's where death occurs in or after 2/68.

2. Under the new table in the Act, the PIA's range from a low of $55 to a high of $218; the table family maximums range from a low of $82.50 to a high of $434.40. Each 1967 PIA has a different table family maximum.

3. The minimum unreduced sole survivor benefit is $55.

B. Conversion Saving Clause

1. Where two or more persons are entitled for 2/68 based on applications effectively filed in or before 2/68, the appropriate family maximum for 2/68 or any subsequent month is the larger of:

   a. The family maximum shown in the new table in the Act (i.e., the new table maximum), or

   b. The sum of the individual benefit amounts (i.e., the benefit amounts after reduction for the 1965 maximum but before reduction for age and before deductions) for 2/68 computed under the Act as in effect before 2/68 (which means that the 1965 benefit rates can be determined under the 1967 simplified old start method explained in E. below) multiplied by 113 percent (with each benefit, if it is not a multiple of $0.10, increased to the next higher multiple of $0.10).

2. Combined Family Maximum Situations

   a. Where there is a combined family maximum already applicable for 2/68, a 1967 conversion saving clause maximum (item B.1.b. above) is computed on the basis of the benefits payable under the combined maximum. If, at some future date, the combined maximum no longer applies, a new 1967 conversion saving clause maximum will apply for and after the first month in which the combined maximum no longer applies; in such cases, the new conversion saving clause maximum is computed as though the combination did not exist for 2/68. That is, the new saving clause maximum is determined by multiplying the benefit (based on the pre-amendment rates) to which each beneficiary would have been entitled for 2/68 under the single account maximum by 113 percent and adding the results together.

b. Where a 1967 benefit conversion saving clause maximum applies on a particular account and a child entitled on that account subsequently becomes entitled on another account, the saving clause maximum cannot be used when combining the maximums for benefit payments on the account with the higher PIA. Instead, if the requirements for the combination are otherwise met, only the table family maximums can be combined.

C. Maximum Auxiliary and Survivor's Insurance Benefits

Effective for months after 1/68 a wife's, husband's, remarried widow's, or remarried widower's benefit can be no larger than $105 (before any reduction for age). The maximum limitation will not have any actual effect until PIA's can exceed $210.

D. Increase in Maximum Creditable Earnings

The maximum creditable earnings for computation purposes is raised to $7800 yearly beginning with calendar year 1968.

E. 1967 Simplified Old Start Method

1. General

The 1967 amendments contain a technical amendment providing an old-start computation (1967 simplified old-start method) which does not require a yearly breakdown of pre-1951 earnings as they are credited. Instead, the method makes use of the single, total pre-1951 earnings figure. The 1967 simplified old-start method can apply in computing monthly benefits effective January 1967 and later. (Even though the 1967 simplified method is used to compute the AMW, 1965 PIA rates apply January 1967 through January 1968.)

2. When Applicable

The 1967 simplified old-start method applies if:

a. At least one quarter prior to 1951 is a QC; and

b. The WE attained age 21 in or before 1936 or, if he attained age 21 after 1950, less than 6 quarters elapsing after 1950 are QC's; and

c. (i) The WE becomes entitled to RIB or DIB after the date of enactment; or

(ii) The WE dies after the date of enactment without having been entitled to RIB or DIB; or

(iii) The PIA must be recomputed under the "automatic" recomputatio provision on the basis of having some earnings in a year afte 1965.

3. When Not Applicable

Benefits prior to January 1967 cannot be computed under the 1967 simplified method. In addition, the 1967 simplified old-start method does not apply (and any PIA computation under an old-start must be made under the computation methods in effect prior to the 1967 amendments) if:

a. The WE attained age 21 after 1936 and prior to 1951; or

b. The WE had a period of disability which began prior to 1951 (however, if the period of disability is disregarded for computation purposes, the 1967 simplified old-start method can be used); or

c. A first eligibility closing date prior to 1961 is used.

4. Base Years

Under the 1967 simplified old-start method, the definition of base years after 1950 is unchanged (i.e., the earnings actually credited for a particular base year, up to the maximum for that year, are used as the earnings for that year). However, pre-1951 base years are determined differently. Instead of using earnings as they are credited for each particular pre-1951 year, a formula is applied to the total credited pre-1951 earnings to determine the number of pre-1951 base years and the earnings for each year. The formula is as follows:

a. If the total pre-1951 earnings are $27,000 or less, the total earnings are divided by 9. The result represents the yearly earnings for each of the 9 base years.

b. If the total pre-1951 earnings exceed $27,000 but are less than $42,000, the total earnings are divided by $3,000. The resulting whole number represents the number of pre-1951 base years with earnings of $3,000 for each year. Any excess earnings (i.e., any excess of such total pre-1951 earnings over $3,000 times the whole number derived above) represent the earnings for an additional base year.

c. Total pre-1951 earnings of at least $42,000 represent 14 base years with earnings of $3,000 for each year.

5. Computation

In the 1967 simplified old-start method, the AMW is determined as it is in the 1965 old-start method (but with the 1967 method of determining base years). The PIB, however, is merely the sum of 45.6 percent

times the first $50 of the AMW and 11.4 percent of the next $200 of the AMW. The PIA is derived from the PIB under the table in section 215(a) of the Act.

F. Retention of the First Eligibility and 1965 Computation Methods

The 1965 new-start method continues to apply in new-start computations. The 1958 PIA method (first eligibility new start) continues to be used as an alternate method if the requirements for its use are met and a higher PIA results.

If the requirements for the 1967 simplified old-start method are met, a 1965 old-start method cannot be used for months after 1966. Where retroactivity into 1966 exists, it is proper in some cases to use the 1965 old-start method for 1966 benefits and the 1967 simplified old-start method for later months. The 1965 old-start method has continued applicability where the requirements for using the 1967 simplified old-start method are not met. The first eligibility old-start (revised PIB method) continues as an alternate method to whichever of the other old-start methods is applicable. Where the requirements for using the first eligibility old start are met and the method yields the highest PIA, it is used instead of the other old-start method. Of course, when computing under this method, pre-1951 base years are used as actually credited, and the PIB is determined by adding the "basic benefit" (derived from the AMW) to 1 percent of the basic benefit times the actual number of increment years.

G. Recomputations

1. "Automatic" Recomputation

In order to qualify for an "automatic" recomputation after the date of enactment, the WE must have some earnings in a year after 1965 for any part of which he is entitled to monthly benefits. In all cases where eligibility for the recomputation exists, the recomputation can be made under either a new or an old-start method.

2. Summary Recomputation

The amendments reinstate the summary recomputation for death cases, thus providing a means of lowering the divisor (where the male RIB beneficiary dies prior to age 65) when the requirements for an "automatic" recomputation are not met. The new summary recomputation applies with respect to individuals who die after the date of enactment. Where the male RIB beneficiary dies prior to age 65, the PIA is recomputed with elapsed years through the year before the year of death and with base years through the year of death. The new PIA is effective for and after the month in which the WE dies.

H. Reduced Benefits for Disabled Widows, Disabled Surviving Divorced Wives, and Disabled Widowers

Beginning with 2/68 on the basis of an application filed in or after 12/67, a disabled widow (including a disabled surviving divorced wife) or a disabled widower can become entitled to a reduced benefit on the deceased spouse's account if he or she is at least age 50 and meets the other requirements for entitlement. The unreduced widow's or widower's benefit ($82\frac{1}{2}$ percent of the WE's PIA) is reduced by the total of:

1. 5/9 of 1 percent multiplied by the number of months beginning with the first month of entitlement or with the month of attainment of age 60 (whichever is later) up to age 62, plus

2. 43/198 of 1 percent multiplied by the number of months beginning with the first month of entitlement up to the month of attainment of age 60.

If the beneficiary is entitled beginning at age 50, the full reduction applies and results in a benefit which is 50 percent of the WE's PIA. Where entitlement begins between ages 60 and 62, the reduction would be the same as for a widow receiving benefits reduced for age under pre-amendment law.

At age 62, the reduction factor is adjusted (for a widow) to eliminate months in which she had an entitled child in her care and (for either a widow or widower) to eliminate months for which she (he) was subject to deductions or for which no payment was made because entitlement was terminated.

I. General Saving Provision

Where (1) one or more persons are entitled (except "residual" 216(h)(3) children, see section J. below) for 1/68 based on applications effectively filed in or before such month, and (2) one or more persons become entitled for 2/68 under certain provisions of the 1967 amendments:

a. As a disabled widow or disabled widower (Summary sections 400 and 450), or

b. As a child adopted by the WE's surviving spouse more than 2 years after the WE's death (Summary section 2400A.1.), or

c. As a child deemed dependent on his mother under the new provision (Summary section 2650), or

d. As a widow, widower, or stepchild under the liberalized duration-of-marriage requirements (Summary sections 400A., 450A., 500, and 2400), or

e. As a husband or widower without regard to the WE's currently insured status (Summary sections 250A. and 450B.1.),

f. Or as a child adopted after the WE's entitlement to DIB under the liberalization in Summary section 2650B,

the benefits for the persons in (1) are determined as though the persons in (2) are not entitled.

The saving clause prevents a decrease in the benefits payable to individual in (1) because of the entitlement of individuals under the more liberal provisions of the 1967 amendments (provided the new beneficiaries are entitled for 2/68). As a result, the total benefits payable can exceed the family maximum.

J. Residual Payments to Illegitimate Children

Sec. 216(h)(3) of the Act permits an illegitimate child, under certain conditions, to meet the definition of "child" even though he neither has inheritance rights from the WE under State law nor is deemed to be the WE's child by virtue of an invalid ceremonial marriage. Such children are referred to in this section and in section K. below as "216(h)(3) children."

Under the 1967 amendments monthly benefits of a child who becomes entitled after 1967 solely by reason of section 216(h)(3) of the Act are "residual" in nature. That is, when reducing for the family maximum, the benefit for such a child is reduced first (but not below zero) before any adjustment is made in the benefits of other beneficiaries. If there is more than one child entitled by reason of section 216(h)(3), the benefits of all such children are reduced proportionately before any adjustment is made in the benefits of other beneficiaries.

This provision applies only to 216(h)(3) children who become entitled after 1967 (i.e., effective filing is after 1967). Where effective filing occurs after 1967 with retroactivity into 1967, the benefits for the 216(h)(3) children are residual even for the retroactive period. Where the 216(h)(3) children are entitled prior to 1968 (i.e., effective filing is in or before 12/67), their benefits are not residual after 12/67 but are reduced under the family maximum in the usual manner.

K. Special Saving Provision Related to Illegitimate Children

The benefits to beneficiaries entitled on an account in 1/68 are protected from reduction because of the entitlement of "non-residual" 216(h)(3) children (i.e., children who effectively filed prior to 1968). Under this special provision of the 1967 amendments, the benefits of all persons entitled for 1/68 (based on applications filed in or before 1/68) except "non-residual" 216(h)(3) children are determined for 2/68 as though those "non-residual" 216(h)(3) children entitled for 1/68 are not also entitled. The benefits for the "non-residual" 216(h)(3) children continue to be determined under the family maximum with the entitlements of all beneficiaries considered.

5100. ANNUAL EARNINGS TEST

A. Liberalization of Retirement Test

The amendments made these four significant changes in the retirement test:

1. The amount a beneficiary may earn in a 12-month taxable year and still receive all benefits for the year is increased from $1,500 to $1,680 (i.e., from $125 to $140 times the number of months in the beneficiary's taxable year);

2. When earnings for a full taxable year exceed $1,680, $1 in benefits is withheld for every $2 in earnings from $1,680 to $2,880;

3. When earnings exceed $2,880, $1 in benefits is withheld for each $1 in earnings over $2,880; and

4. The amount of wages a beneficiary may earn in a month without losing his benefit for that month has been raised from $125 to $140.

These changes are effective for taxable years ending after 1967.

B. Extension of Filing Dates for Annual Reports of Earnings

The amendments provide that the Administration may grant a beneficiary an extension of time (not to exceed 3 months) for making an annual report of earnings required under the retirement test provisions. This provision is effective immediately upon enactment.

5200. FOREIGN DEDUCTIONS AND NONPAYMENT PROVISIONS

A. "Outside the United States" Defined

After an alien has been outside the United States for 30 consecutive days he is deemed to be outside the United States continuously until he has been in the United States for 30 consecutive days. The amendments did not change the provision that when an alien has been outside the United States for 6 full calendar months, his benefits are suspended unless he meets certain exceptions to the alien nonpayment provision, or until he returns to the United States for 1 full calendar month.

This change is effective with respect to 6-month periods which begin after ~~December 1967~~ 1/68.

B. Limitations on Use of 10-Year Residence and 40 QC Exceptions to Alien Nonpayment Provision

The 10-year residence or 40 QC exceptions cannot be applied to any alien who is (1) a citizen of a country that has a social insurance or pension system of general application which does not provide for full payment to eligible United States citizens who are outside the country, or (2) a citizen of a country that has no social insurance or pension system of general application if, at any time within 5 years before ~~December 1967~~ 1/68 (or within 5 years before the first month after ~~12/67~~ 1/68 for which the individual is subject to the alien nonpayment provision), the country was designated by the Secretary of the Treasury as a country to which payment of benefits is withheld.

This change is effective for benefits for months beginning after June 30, 1968.

C. Residence in Certain Countries a Nonpayment Event

No monthly benefits can be paid to a beneficiary who is not a U.S. citizen or national for any month in which he resides in a country to which payments are withheld for that month by the Treasury Department. Also, an LSDP may not be made on the basis of an alien's earnings record if no monthly benefits could be paid to him for the month before the month of death because of the provision in the preceding sentence. These restrictions apply even though an alien may meet an exception to the alien nonpayment provision.

This change is effective for any month beginning after June 30, 1968.

D. Limitations on Payment of Benefits Withheld by Treasury Department

Where benefits otherwise payable to a person who is neither a citizen nor a national of the United States have been withheld because of Treasury Department restrictions, the accrued benefits can be paid when the Treasury Department restrictions are lifted only to the person from whom they have been withheld or, if he has died, to one entitled to monthly benefits on the AN of the deceased for the month of death, and in no event shall benefits be paid in an amount in excess of the last 12 months' benefits that were withheld.

This applies to benefits being withheld on June 30, 1968.

5300. PENALTY DEDUCTIONS

A. Penalty for First Failure to File Timely Annual Report

The penalty for the first failure to make a timely annual report under the annual earnings test has been liberalized. The first-violation penalty will equal the benefit for the last month of the beneficiary's taxable year except where the work deduction for the year is less than the full benefit for that month. Where the work deduction is less than one month's benefit, the penalty will equal the amount of the work deduction, but not less than $10. Penalties for second and subsequent violations are not affected. Effective on the date of enactment.

B. Penalties for Failure to Report No Child in Care or Foreign Work

The second-violation penalty is limited to 2 months' benefits and the third-or-subsequent-violation penalty is limited to 3 months' benefits where an individual subject to deductions for no-child-in-care, or noncovered work outside the United States, fails to report timely. The amount of the penalty is a multiple of the monthly benefit amount for the first month (in the period penalized) for which a timely report was not made. The amount of the penalty is also limited by the number of months for which a deduction was imposed and the number of months for which a benefit was received and accepted. Effective on the date of enactment.

5500. OVERPAYMENTS

A. Expansion of Authority to Recover Overpayments by Adjustment

The amendments expand the Administration's authority to recover overpayments.

The Secretary now has authority to recover an overpayment made to a beneficiary by withholding benefits of others who are entitled to payments on the same earnings record, even though the overpaid person is still alive. Where recovery of an overpayment is necessary, adjustment shall be made in accordance with regulations prescribed by the Secretary. The provision is effective on enactment.

Heretofore, authority to recover by adjustment against other benefits payable was limited to cases where the overpaid person was deceased.

B. Recovery by Refund

The amendments affirm the authority of the Secretary to recover an overpayment by requiring cash refund from the overpaid person, or from his estate if he is deceased, as well as by adjustment against any benefits payable.

Authority to recover an overpayment by demanding cash refund was previously only implied in the law.

C. Benefits Paid on Basis of Erroneous Reports of Death in Military Service

The amendments provide that benefits paid on the basis of an erroneous report of death by the Department of Defense of an individual in the line of duty while he is a member of the uniformed services on active duty will now be considered to be correct payments.

This provision is effective only with respect to benefits paid:

1. For months before the Department of Defense notifies the Administration that the individual is still alive; and

2. If the individual to whom such benefits were paid would have been entitled to such benefits in or after ~~December 1967~~ 1/68, if the erroneous report had been correct.

D. Waiver of Recovery or Adjustment--"Without Fault"

Any beneficiary who is liable for repayment of an overpayment, whether the overpayment was made to him or to another, can qualify for waiver of recovery of the overpaid amount if he is without fault and if he meets the other conditions prescribed in the law; i.e., recovery or

adjustment would either defeat the purpose of title II or be against equity and good conscience. The provision is effective on enactment.

Previously, waiver relief was denied those beneficiaries who might be liable for the overpayment if the overpaid person himself was found to be at fault. Waiver relief could not be granted to other beneficiaries even though they were found to be without fault and otherwise met the conditions for waiver prescribed in the law.

RSDI Underpayments Due Decedents

The amendments establish a new statutory order of priority for payment of RSDI underpayments due decedents:

1. The surviving spouse who was either living in the same household with the decedent at the time of his death or who was, for the month in which the deceased individual died, entitled to a monthly benefit on the same earnings record.

2. The child or children of the decedent who were entitled to monthly benefits on the same earnings record for the month in which the decedent died (if there is more than one entitled child, in equal parts to each entitled child).

3. The parent or parents of the decedent who were entitled to monthly benefits on the same earnings record for the month in which the decedent died (if there is more than one entitled parent, in equal parts to each entitled parent).

4. The person, if any, determined by the Secretary to be the surviving spouse of the deceased individual.

5. The child or children of the decedent (if there is more than one child, in equal parts to each child).

6. The parent or parents of the decedent (if there is more than one parent, in equal parts to each parent).

7. The legal representative of the estate of the decedent.

The new order of priority is effective on enactment and applies to all underpayment claims pending on or after that date.

Expedited Payments

The amendments require the Secretary to establish procedures for making expedited payments where an individual makes a written request for them and an unusual delay in payment has occurred.

Expedited payment may be made when an individual alleges that he has not received a monthly payment which was due him and:

1. In the case of a previously entitled beneficiary who has an unexplained interruption in payment, 30 days have elapsed after the 15th day of the month in which he failed to receive a payment which was due (42 days from the normal third-of-the-month delivery date); or

2. Where entitlement is being established or reinstatement of a previously suspended payment has been requested, 90 days have elapsed since:

   a. The date on which the benefit was due, or

   b. The date on which the individual furnished the last information requested by the Secretary, whichever is later.

If the written request is made before the expiration of the elapsed period stipulated in (1) or (2) above, it shall be deemed to have been made at the end of the time period. However, a written request filed under (1) above before the 15th of the month in which a check was due will not be honored.

Once the conditions of this provision are met and the Secretary finds that the payment is due, payment must be made within 15 days.

There is nothing in this provision to prohibit payment (without liability of the disbursing or certifying officer) in a shorter period even without a written request where it appears to the Secretary that an allegation that payment was due is true, even though more definitive evidence may be sought to support such payment.

The expedited payment provision does not apply to any type of benefits based on a wage earner's disability or any disability benefits, or to negotiated checks. It is effective based on requests made after June 30, 1968.

A. Special Insured Status Test for Disability Before Age 31

The alternate insured status provision for blindness before age 31 has been extended for the freeze and for DIB to all WE's disabled before the quarter of attainment of age 31 regardless of the nature of the disability. The WE must have earned one QC for each 2 calendar quarters in the period beginning with the quarter after attainment of age 21 and ending with the quarter in which his period of disability begins. If such period contains less than 12 quarters, he must have 6 QC's out of the 12 ending with the quarter in which the period of disability begins.

This amendment is effective for benefits for 2/68 and thereafter, based on applications filed in or after 12/67. It is effective for freeze applications filed in or after 12/67.

B. Retroactivity of Applications for Closed Periods of Disability

WE's who are no longer under a disability may now file for a freeze up to 36 months after the end of the period of disability if their failure to file within the normal 12-month period was due to physical or mental incapacity. Any increase in benefits as the result of establishing this freeze can be effective no earlier than ~~12/67~~ 1/68. Disability determinations for claims which are filed under this provision will be made under the law in effect at the time the case is adjudicated.

1. Period of Disability Ended In or Before ~~12/67~~ 1/68

Where the period of disability ended in or before 12/67, a period of disability may be established if the other requirements for entitlement are met and:

a. A new application is filed before ~~2~~ 1/1/69; and

b. The previous application was filed before ~~2~~ 1/1/68 and within 36 months after the end of the period of disability, and

c. The failure to file within the prescribed 12-month period was due to a physical or mental incapacity.

2. Period of Disability Ending After ~~12/67~~ 1/68

Applications for periods of disability ending after 12/67 may be filed up to 36 months after the end of the period of disability provided that the WE was prevented from filing within the regular 12-month period because of physical or mental incapacity.

C. DIB Offset Because of Workmen's Compensation

The definition of "average current earnings" for computing workmen's compensation offset has been liberalized so that actual earnings, in excess of the maximum, for the highest five consecutive years after 1950 can be used to compute or recompute the offset.

To eliminate extensive development, the Secretary is authorized, in accordance with regulations to be issued, to estimate actual earnings based on available evidence.

This revised definition of "average current earnings" will be applied to all WC offset cases for payments for 2/68 and thereafter.

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Affirmation of Authority To Prescribe SGA Criteria

The Secretary is directed to prescribe by regulations the criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to engage in substantial gainful activity and the amendments provide that, except where a trail work period may be applied, an individual whose work or earnings meet these criteria will be found not to be disabled. The provision thus gives specific statutory authority to the Secretary to issue regulations setting criteria for evaluating work activity.

6500. OBTAINING EVIDENCE OF DISABILITY

A. Definition of Disability--General

Prior to the 1967 amendments the term "disability" (except for statutory blindness) was defined to mean inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

The 1967 amendments retain the above definition but add language that clarifies and amplifies this definition of disability and provide a special definition for purposes of the newly enacted widow's and widower's benefits which are based on disability. It also provides a more liberal definition of blindness for certain purposes.

B. Disabled Workers and Childhood Disability Claimants

The amended definition, applicable to disabled workers and childhood disability claimants, specifies that an individual shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work. The statute also specifies that "work which exists in the national economy" means work which exists in significant numbers either in the region where the individual lives or in several regions of the country. The purpose of so defining the phrase is to preclude consideration of a type or types of jobs that exist only in very limited numbers or in relatively few geographic locations to assure that an individual is not denied benefits on the basis of the presence in the economy of isolated jobs he could do.

This more detailed definition of disability is consistent with the fundamentals of existing policy and will serve to provide a clearer and firmer statutory basis for this policy.

C. Widows (Including Surviving Divorced Wives) and Widowers

A stricter definition of disability has been enacted for this new category of disability claimants. Widows, surviving divorced wives

and dependent widowers may be found under a disability only if their physical or mental impairments are of a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any gainful activity (as distinguished from any "substantial gainful activity"). To qualify under this definition, the level of severity of the impairment(s) must meet or equal that shown in medical listings of impairments which are to be promulgated by regulation. Widows and widowers whose impairments fall short of this level of severity may not in any case be found disabled.

For widows and widowers only medical factors are to be considered. It is not appropriate to consider vocational factors (age, education, experience) as in the case of disabled workers or adult children who do not meet the prescribed level of severity. Where the impairment(s) meets or equals the level of severity to be described in the regulations, performance of work will preclude initial entitlement or require termination of previously established entitlement if such work demonstrates ability to engage in substantial gainful activity. (Conversely, work which does not constitute substantial gainful activity will not ordinarily preclude entitlement or require termination.) These beneficiaries are not entitled to a trial work period.

D. Liberalized Definition of Blindness

From the beginning of the disability program, section 216(i) of the Act has contained a definition of "blindness." Under this definition "blindness" was defined to mean central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. Prior to the 1965 amendments, blindness thus defined was an alternate definition of disability (without regard to ability to engage in SGA) for freeze purposes only. Beginning with the 1965 amendments the law provided that individuals who had attained age 55 and met this definition of blindness were under a disability for benefit purposes if they met an alternate occupational definition of disability, i.e., were unable to engage in SGA requiring skills or abilities comparable to those of any gainful activity in which they had previously engaged with some regularity and over a substantial period of time.

The 1967 amendments change section 216(i) by substituting for the 5/200 criteria the more liberal test of either central visual acuity of 20/200 or less in the better eye with the use of correcting lens, or a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty degrees.

This liberalized definition of blindness will be used in disability determinations for freeze purposes and for purposes of determining the entitlement to benefits of individuals who have attained the age of 55 and meet the occupational disability definition for DIB. Blind applicants under age 55 must continue to meet the test of "inability

to engage in any substantial gainful activity" to become entitled to cash benefits.

E. Changes Applicable to All Disabled Claimants

The term "physical or mental impairment" is defined to mean an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques. This underwrites by statute the definition in current regulations and policy.

F. Effective Dates

1. General

Except for the liberalized definition of blindness, the changes above are effective with respect to applications for DIB and freeze filed in or after December 1967, or before December 1967 if the applicant has not died before such month and if a final decision or subsequent civil action is still pending in or after 12/67.

2. Definition of Blindness

The liberalized definition of blindness applies only to applications filed after the date of enactment. Benefits are not payable (to the blind over age 55) using this definition of blindness for months before February 1968. However, the period of disability for freeze purposes may extend to months prior to enactment.

Widow's and Widower's Benefits

Beneficiaries entitled to widow's or widower's benefits based on disability can be considered to be under a disability only as long as their impairments remain at a level of severity at least equal to that described in the regulations. In addition, even where such a level of severity continues to exist, disability ceases where the individual demonstrates an ability to work by the performance of substantial gainful activity. The 9-month trial work provisions do not apply to disabled widows and widowers.

Disclosure to Courts of Information as to the Whereabouts of Absent Parents

In addition to the requirement already in section 1106(c) of the Act whereby, under certain conditions, the Secretary must furnish information as to the whereabouts of an absent parent to a public assistance agency on request, the amendments provide that we must now, on request, furnish such information directly to a court.

The new provision is that upon request of a court having jurisdiction to issue orders or entertain petitions against individuals for the support and maintenance of their children, the Secretary shall furnish the individual's most recent address or the address of his most recent employer, or both, for the court's use in issuing or determining whether to issue an order against the individual or in determining the court to which a petition for support and maintenance should be forwarded under any reciprocal arrangements with other States to obtain or improve court orders for support.

The court must certify that the above is the purpose for which the information is to be used, and it may not use the information for any other purpose. There are criminal penalties for use of the information for a purpose other than described above.

This provision is effective on enactment.

10100. HOSPITAL INSURANCE BENEFITS

QC Requirement in Deemed Insured Provision

The amendments liberalize the quarters-of-coverage requirement for entitlement to HIB under the deemed insured provision for individuals attaining age 65 in 1968 or later. An individual will meet this requirement if he has at least 3 QC's for each year after 1966 and before the year he attains age 65. Thus, for instance, persons who attain age 65 in 1968 will need only 3 QC's instead of the 6 QC's they formerly required.

10400. SUPPLEMENTARY MEDICAL INSURANCE BENEFITS

A. Enrollment Based on Mistaken Date of Birth

An individual who has attained age 65 may seek to enroll for SMIB not realizing that his initial enrollment period had expired because he relied on documentary evidence of age which indicated that he was younger. An election to enroll under such circumstances will be acceptable even though SSA determines a correct date of birth showing prior attainment of age 65. The enrollment period and effective date of coverage will be determined by the age shown on the documentary evidence he relied on.

This applies only where the claimant is attempting to enroll for the first time in or after 2/68.

B. General Enrollment Period

Following the general enrollment period ending March 31, 1968 (as provided under P.L. 90-97), general enrollment periods in the future begin on January 1 and end on March 31 of each year, beginning with 1969. Coverage based on enrollment during this period begins July 1 of the same year.

C. Voluntary Termination of SMIB Coverage

Effective 4/1/68, individuals may file an effective request for termination of their SMIB coverage at any time without regard to any general enrollment period. Such requests will terminate SMIB coverage as of the end of the calendar quarter following the quarter in which the request is filed. In addition, enrollees may still have their coverage terminated for nonpayment of premiums.

D. Enrollment Under a State Agreement

A State may now enter into an agreement with the Secretary to enroll certain public assistance recipients for SMIB if its request is made prior to January 1, 1970. (The previous requirement was that the request be made prior to January 1, 1968.) In addition, an individual is considered a member of a coverage group under the State agreement if he is eligible for coverage in the month the agreement is entered into or any month thereafter. (Before the 1967 amendments, he had to be eligible prior to January 1, 1968.)

Upon request made prior to January 1, 1970, a State may modify its agreement to include, as an additional coverage group, all individuals who are eligible for medical assistance under title XIX of the Act at the time the modification is made or at any time thereafter. This

change permits State enrollment of individuals age 65 or older who cannot meet medical expenses although they are not eligible for a regular public assistance grant.

E. Time Limit on Initial Enrollment

Effective 4/1/68, an individual may not enroll for the first time unless he does so in a general enrollment period which begins within 3 years after the close of the first enrollment period during which he could have enrolled. Previously he had to actually enroll within 3 years after the close of the first enrollment period during which he could have enrolled.

10500. SMI PREMIUM COLLECTIONS

Announcement of Premium Rates

The Secretary will establish and announce premium rates each year during December, beginning in 1968. The "new" rate (if a new one is established) will become effective the following July.

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100. HOSPITAL INSURANCE BENEFITS FOR THE AGED

(Part A -- The Basic Plan)

101. TYPES OF BENEFITS

Under the 1965 law, Part A benefits included payment for outpatient hospital diagnostic services. Under the 1967 amendments, these services were removed from Part A, and were combined with outpatient therapeutic services under Part B, effective 4/1/68.

102. EFFECTIVE DATES

Unchanged, except as otherwise noted hereinafter for services which were added by the 1967 amendments.

103. BENEFITS PROVIDED

A. Scope of Benefits

1. Services for Which Payment May Be Made Under Part A to Eligible Individuals

a. Inpatient hospital services for up to 90 days during any spell of illness (see § 301 for definition of "spell of illness"), plus a 60-day "lifetime reservoir" which can be drawn upon to extend the days of coverage in a spell of illness, until the 60 days are exhausted.

b. Post-hospital extended care services (unchanged).

c. Post-hospital home health services (unchanged).

2. Special Provision for Inpatients of Psychiatric or TB Hospitals

The 1965 law contained a reduction in the amount of hospital benefits payable for persons who were inpatients of TB or psychiatric hospitals when their medicare entitlement began. For them, the number of days for which hospital insurance could pay in the first "spell of illness" was reduced by the total number of days the person had been in such a hospital during the previous 90 days. The reduction applied regardless of the type of hospital the beneficiary was in after entitlement and regardless of the type of treatment received after entitlement.

The amendments make 3 changes in this area, effective 1/1/68. The first change eliminates tuberculosis hospitals for purposes of the reduction factor. In effect, the law now makes an individual's entitlement to hospital insurance benefits the same if he received hospital services in a TB hospital as it would be if he received services in a general hospital. This amendment is in recognition that the distinction between a general hospital and a TB hospital is diminishing. The second change corrects an inequity for the patient whose entire inpatient hospital benefits are affected by the reducti

because of a long-term psychiatric hospitalization, and who suffers some illness after entitlement (other than a psychiatric condition) which requires general hospital care. Beginning 1/1/68, the reduction factor will not apply to inpatient hospital services furnished in a participating general hospital for diagnosis or treatment of an injury or illness not primarily psychiatric in nature.

The third change increases the number of days considered for reduction purposes from 90 to 150. This makes the number of reduction days consistent with the additional 60 days of coverage provided by the "lifetime reservoir" (see §103.A.1.a.). The reduction, together with the other provisions in the law, is to assure that benefits are paid only for the active phase of treatment, and seeks to avoid payment on behalf of patients who may have been receiving primarily custodial care prior to entitlement.

3. Maximum on Coverage of Inpatient Psychiatric Hospital Services

Unchanged.

4. Limitation on Payment for Post-Hospital Home Health Services

Unchanged.

5. When Services Furnished Count Toward the Maximums

One of the conditions under which services would be counted towards the maximum of inpatient hospital services was that the patient's physician must have certified that admission for hospital treatment was medically necessary. Under the 1967 Amendments, the requirement of physician's certification of medical necessity for admission to a general hospital is removed. However, it is still necessary for psychiatric, TB, extended care and home health services. Also, a physician must certify as to the need for inpatient hospital treatment as of the 14th day of such treatment, and in no event later than the 21st day, with additional recertifications required at no more than 30-day intervals.

B. Deductibles

1. The Inpatient Hospital Deductible and Coinsurance Amounts

The $40 deductible remains unchanged, as does the $10 per day coinsurance amount for the 61st through the 90th day of care in a spell of illness. With respect to the 60-day "lifetime reservoir" now provided by the law (see §103.A.1.a.), a coinsurance amount of $20 per day is applicable.

It should be remembered that all deductibles are subject to possible future actuarial revision.

2. Deductible for Post-Hospital Extended Care Services

Unchanged.

3. Deductible for Post-Hospital Extended Care Services in a Christian Science Sanatorium

Unchanged.

4. Amount Deducted for Outpatient Hospital Diagnostic Services

As explained in § 101, outpatient hospital services of all kinds are now covered under Part B of the program, and are therefore subject to the regular Part B deductible and coinsurance amount.

5. Deductible for Cost of First Three Pints of Blood

There are two changes in the 3-pint blood deductible provision established by the 1965 law. These changes are effective for blood furnished after 12/31/67.

The first change establishes a 3-pint blood deductible under the medical insurance program. This is consistent with the blood deductible under the hospital insurance program. The two deductibles are applied separately, without respect to whether one or the other has been met. The HI deductible applies in each spell of illness; the SMI deductible in every calendar year.

The second change revises the definition of "blood" to include units of packed red blood cells for deductible purposes. Thus, program payment cannot be made to or on behalf of a beneficiary receiving units of packed red blood cells until the appropriate deductible has been satisfied.

As under the 1965 law, a beneficiary may satisfy the deductible by either paying for or replacing blood or blood components used, on a one-for-one basis for the first three pints.

6. Deductible Amounts

Unchanged, except that the outpatient hospital diagnostic deductible of $20 for each diagnostic study period is abolished. Since OHDS now comes under Part B services (see § 101), the regular Part B deductible now applies to such services.

104. ELIGIBILITY FOR BENEFITS

A. OASI and RR Beneficiaries

Unchanged.

B. Transitional Provisions for Uninsured*

Under the 1965 law, persons who attained 65 in 1967 or before were eligible for hospital insurance protection even though they had not earned any quarters of coverage under the social security or railroad retirement programs. However, persons attaining age 65 in 1968 or later were required to have at least 6 quarters of coverage to be eligible for HI.

On later consideration, the initial requirement of 6 quarters of coverage seemed too sharp. Therefore, the new law provides that the minimum number of required quarters of entitlement under the transitional provision is three for persons attaining age 65 in 1968. The required number of quarters increases by three for each year elapsing after 1968 through the year in which the person attains 65 (until regular insured status requirements are met).

This transitional provision will "phase out" so that by 1975 (1974 for women) the same number of quarters will be required for monthly cash benefits under the old-age program and for HI protection under Title XVIII. The cost of HI protection under this provision will continue to be financed from general revenues rather than from the HI Trust Fund.

105. CONDITIONS OF AND LIMITATIONS ON PAYMENT FOR SERVICES

A. Requests and Certifications

As explained in § 103.A.5., a physician is no longer required to certify as to the medical necessity for admission to a general hospital. He must still recertify as to the continuing need for inpatient services not earlier than the 14th nor later than the 21st day of inpatient stay and at 30-day intervals thereafter. The requirement of certification as to the medical necessity for admission to a psychiatric or TB hospital, or an ECF, or an HHA still applies.

B. Psychiatric Hospital Records

Unchanged.

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*These provisions are to be distinguished from the transitional insured status provisions under which certain persons at age 72 become entitled to OASI benefits on the basis of 3, 4, or 5 quarters of coverage.

C. TB Hospital Records

Unchanged.

D. Utilization Review Decision

Unchanged.

E. Medical Need for Continued Services

Unchanged.

F. Reasonable Cost of Services

Medicare payments are made either on the basis of the reasonable cost or the reasonable charge of providing covered services. Participating provic of services, such as hospitals, extended care facilities, home health ager and, in certain cases, group practice prepayment plans, are reimbursed on a cost basis. Medicare payments for covered services rendered by physicia and other persons who are not "providers" are made on a reasonable charge basis.

The law now authorizes the Secretary of HEW to make agreements with a limi number of organizations and institutions, which would otherwise be entitle to reimbursement on the basis of "reasonable cost", and physicians (voluntary on the part of the latter) to experiment with alternative payme systems to lower costs while maintaining or improving the quality of care. Effective measurements of quality and efficiency will in many cases have t be developed before experimentation can begin.

The law also authorizes hospitals to bill medicare patients directly for small ($50 or less) outpatient charges, subject to final settlement in accordance with present cost-reimbursement provisions.

G. Federal Providers of Services

Unchanged.

H. Payment for Emergency Hospital Services

Under the 1965 law, benefits for emergency hospital services could be pa only if the services were received in an institution which, while not participating, met certain statutory requirements, applied for the benef and agreed to accept medicare reimbursement as full payment for the pati liability (except for deductibles, coinsurance and non-covered services)

Effective 1/1/68, the law provides that payment can be made directly to the patient on the basis of an itemized bill. Emergency hospitals now have the option of billing the medicare program for all covered emergency services it furnishes during a calendar year. If the hospital makes this election, it will receive 90% of reasonable costs, or 85% of reasonable charges, whichever is less. Otherwise, payments will be made only to the beneficiary.

If the beneficiary is to be reimbursed directly, the amount of benefits payable will be 60% of charges for routine services, plus 80% of the hospital's charges for "ancillary services" after applying the HI deductibles and coinsurance. "Routine services" include the regular room, dietary and nursing services, minor medical and surgical supplies and the use of equipment and facilities for which a separate charge is not customarily made over and above those for routine services.

If the hospital formally participates in medicare before 1969, and if it applies its utilization review plan to the services in question, payment can be made for up to the full 90 days of coverage in the spell of illness. Otherwise, payment will be limited to 20 days of coverage. These provisions are effective for admissions after 12/31/67.

The law also provides retroactive coverage (i.e., 7/1/66 through 12/31/67) for both emergency and nonemergency services if these services were not covered under the 1965 law. The hospitalization must occur in a non-participating hospital which provides full-time nursing care, is licensed or approved by applicable State and local laws, and is primarily engaged in providing medical or rehabilitative care by or under the supervision of a doctor of medicine or osteopathy. The amendments also retroactively revise the definition of emergency hospitals by eliminating the requirements of keeping clinical records, having medical staff bylaws, and requiring each patient to be under a physician's care.

Coverage of hospital services furnished outside the United States remains unchanged, except for the revised definition of an emergency hospital.

I. Payment for Inpatient Hospital Services Prior to Notification of Non-Eligibility

Unchanged, except that the individual must have exhausted his "life-time reservoir" of 60 days (see § 103.A.1.a.) in addition to the regular 90 days in that spell of illness.

106. PAYMENT TO PROVIDERS OF SERVICES

Unchanged.

107. USE OF PUBLIC AGENCIES AND PRIVATE ORGANIZATIONS TO PAY PROVIDERS OF SERVICES

A. Nomination and Agreement

Unchanged.

B. Responsibilities of the Fiscal Intermediary

Unchanged.

C. Limitations to Agreement

Unchanged.

D. Other Conditions; Advance of Funds; Cost of Administration

Unchanged.

E. Withdrawal of Nomination and Alternate Selection

Unchanged.

F. Termination of Agreement

Unchanged.

G. Surety Bond Provision

Unchanged.

H. Nonliability Provisions

Unchanged.

108. FINANCING THE BASIC PLAN

A. Taxes to Finance Part A Benefits

The payroll tax (employees and employers contributing matching amounts) t
finance Part A benefits has been modified as follows:

1968-72	0.60%
1973-75	0.65%
1976-79	0.70%
1980-86	0.80%
1987 and later	0.90%

For self-employed persons, the tax rates will be as follows:

1968-72	0.60%
1973-75	0.65%
1976-79	0.70%
1980-86	0.80%
1987 and after	0.90%

B. Federal Hospital Insurance Trust Fund

Unchanged.

200. SUPPLEMENTARY MEDICAL INSURANCE BENEFITS FOR THE AGED (Part B - The Supplementary Plan)

Unchanged

201. TYPES OF BENEFITS

Unchanged

202. EFFECTIVE DATES

Unchanged except as stated hereinafter for services added by the 1967 Amendments.

Part II

Page 9 -- To Section 203.A., add the following paragraph:

Effective January 1, 1968, certain nonroutine services of podiatrists or surgical chiropodists are covered under SMI. Routine foot care, i.e., cutting or removal of corns, warts or calluses, the trimming of nails, and routine hygienic care are excluded. Also not covered is treatment of flat feet and subluxations of the small bones of the foot.

Page 9 -- To section 203.B., add the following paragraphs:

6. Exlusion of Refractive Procedures From Coverage

The 1965 law excluded from coverage expenses incurred for eyeglasses or eye examinations for the purpose of prescribing, fitting, or changing eyeglasses. However, eye refractive procedures (performed as part of a more general examination to treat or determine the nature or extent of eye disease or injury) were not excluded.

Effective 1/2/68, the law excludes from coverage all procedures to determine the refractive state of the eyes performed during any eye examination (even in connectinn with furnishing prosthetic lenses). The exclusion applies whether the refractions are performed by opthalmologists, other physicians or optometrists, and whether the total examination is for the treatment or diagnosis of eye disease or injury.

203. BENEFITS PROVIDED

A. Part B Benefits

Effective 4/1/68 the full reasonable charges (not subject to deductible or coinsurance) will be paid under the SMI program for covered radiology and pathology services furnished by radiologists and pathologists to hospital inpatients.

B. Limitations on the Amount of Payments

1. The $50 Deductible for a Calendar Year

OHDS is now included under Part B so therefore no deductible imposed under Part A can be regarded as an incurred expense under Part B for such year.

2. Effect of Entitlement to Payments Under Part A

Same change as under sub-paragraph "1" above

3. Coinsurance

Unchanged.

4. Maximums for Certain Services for Psychiatric Patients

Unchanged.

5. Requirements for Information on Amounts Due

Unchanged.

C. Duration of Services

Unchanged.

204. ELIGIBILITY FOR BENEFITS

A. Persons Eligible

Unchanged.

B. Enrollment Periods

1. Unchanged.

2. a. An individual who has attained age 65 may seek to enroll for SMIB not realizing that his initial enrollment perio had expired because he relied on documentary evidence of age which indicated that he was younger. An election to enroll under such circumstances will be acceptable even though SSA determines a correct date of birth showing prior attainment of age 65. The enrollment period and

a. (cont'd)
effective date of coverage will be determined by the age shown on the documentary evidence he relied on. This applies only where the claimant is attempting to enroll for the first time in or after 4/1/68.

b. Unchanged.

c. Unchanged.

3. No longer applicable.

4. Unchanged.

5. Effective beginning 1969, general enrollment periods will be January 1 through March 31 of <u>each</u> year.

6. An individual is allowed to enroll at any time in a general enrollment period that begins within 3 years of the close of his initial enrollment period.

C. <u>Coverage Period</u>

1. Unchanged except if the beneficiary enrolls in the January 1 through March 31 general enrollment period that becomes effective in 1969, his coverage will begin on the following July 1.

2. Effective 4/1/68 an SMI beneficiary may file a notice at any time during the year that he wishes to disenroll. His coverage will cease at the close of the calendar quarter following the quarter in which he files the notice, provided it was not terminated earlier for nonpayment of premiums.

To section 206.A., add the following paragraphs:

It is no longer necessary that the patient pay the physician's (or supplier's) charges in order to be reimbursed directly. The SMI payment may be made either to the patient on the basis of an itemized bill, receipted or unpaid, or to the physician under the regular assignment method. This provision is effective with respect to claims on which a final determination was not made on or before 1/2/68.

Effective with respect to services furnished after March 31, 1968, a hospital may, in situations to be described in regulations, collect directly from the beneficiary the full amount of its customary charges for outpatient services for which the charges are $50 or less. The hospital then prepares a claim for SMI reimbursement on behalf of the beneficiary. The beneficiary will be reimbursed by the program 80 percent of the customary charges above any unmet deductible. Payments to the hospital will be periodically adjusted to assure that total hospital reimbursement for outpatient services does not exceed what the hospital would have received if it had submitted all bills on a cost reimbursement basis.

205. PREMIUMS

A. Premium Rate Before 4/68

The monthly premium for an individual enrolled for Part B benefits will be $3 for months preceding April 1968. A similar amount will come from general revenues. The premium rate for the period April 1968 through June 1969 will be announced by the Secretary of HEW during December 1967.

B. Premium Rate Beginning in 1969

The Secretary will establish and announce premium rates each year during December, beginning in 1968. The "new" rate (if a new one is established) will become effective the following July 1.

C. Premium Rates for Individuals Who Delay Enrolling

Unchanged.

D. Rounding of Premium Amount

Unchanged.

206. PROCEDURES FOR PAYING CLAIMS OF PROVIDERS OF SERVICES

A. Requests and Certifications

The law established a time limit on the period within which payment may be requested under the medical insurance program with respect to services reimbursable on a charge basis. Claims for the services in question will in general have to be filed no later than the end of the calendar year following the year in which the services are furnished. For the purposes of the time limit, services furnished in the last 3 months of a year will be deemed to have been furnished in the subsequent year. The time limit for claims on services, furnished during July, August, and September, 196 will not expire until 3/31/68.

B. Federal Providers of Services

Unchanged.

207. USE OF CARRIERS

A. Functions of Carriers

Unchanged.

B. Specific Provisions of Contracts Relating to Payment

Unchanged.

D. State Agency as Carrier

Unchanged.

209. FINANCING THE SUPPLEMENTARY PLAN

A. Premiums

Unchanged.

B. Federal Supplementary Medical Insurance Trust Fund

The new law changes the availability of the contingency reserve from 1967 through 1969. There is an added provision that whenever the transfer of funds from the general revenue funds to the SMI Trust Fund is not timely, the general revenues will pay, in addition to the government share, an amount equal to the interest that would have been paid had the transfer been made on time.

300. DEFINITIONS

301. SPELL OF ILLNESS

Unchanged.

302. INPATIENT HOSPITAL SERVICES

Unchanged.

303. INPATIENT PSYCHIATRIC HOSPITAL SERVICES

Unchanged.

304. INPATIENT TUBERCULOSIS HOSPITAL SERVICES

Unchanged.

307. TUBERCULOSIS HOSPITAL

Unchanged.

308. EXTENDED CARE SERVICES

Unchanged.

309. POST-HOSPITAL EXTENDED CARE SERVICES

Unchanged.

310. EXTENDED CARE FACILITY

Unchanged.

311. UTILIZATION REVIEW PLAN

Unchanged.

312. AGREEMENTS FOR TRANSFER

Unchanged.

313. HOME HEALTH SERVICES

Unchanged.

314. POST-HOSPITAL HOME HEALTH SERVICES

Unchanged.

315. HOME HEALTH AGENCY

Unchanged.

316. OUTPATIENT HOSPITAL DIAGNOSTIC SERVICES

Unchanged.

317. PHYSICIANS' SERVICES

The definition of physicians' services has been expanded to include certain services of Podiatrists.

318. PHYSICIANS

Has been expanded to include podiatrists.

319. MEDICAL AND OTHER HEALTH SERVICES

Has been expanded to include, under certain conditions, the purchase of durable medical equipment, outpatient physical therapy services, portable X-ray services, and inpatient ancillary services.

320. DRUGS AND BIOLOGICALS

Unchanged.

321. PROVIDER OF SERVICES

Unchanged.

322. REASONABLE COST

Unchanged.

323. ARRANGEMENTS FOR CERTAIN SERVICES

Unchanged.

324. STATE AND UNITED STATES

Unchanged.

325. EXTENDED CARE IN CHRISTIAN SCIENCE SANATORIUMS

Unchanged.

400. MISCELLANEOUS PROVISIONS

401. EXCLUSIONS FROM COVERAGE

Unchanged.

402. WORKING WITH STATE AGENCIES AND OTHERS TO DEVELOP CONDITIONS OF PARTICIPATION

Unchanged.

403. USE OF STATE AGENCIES TO DETERMINE COMPLIANCE BY PROVIDERS OF SERVICES

Unchanged.

404. EFFECT OF ACCREDITATION

Unchanged.

405. AGREEMENT WITH PROVIDERS OF SERVICES

Unchanged.

406. HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

This Council has been increased from 16 to 19 persons and has been assigned the responsibilities of the National Medical Review Committee. The latter committee will not be formed.

407. NATIONAL MEDICAL REVIEW COMMITTEE

This Committee will not be formed and its duties have been assigned to the Health Insurance Benefits Advisory Council. See Section 406 above.

408. DETERMINATIONS: APPEALS

Unchanged.

409. REFUND OF OVERPAYMENTS OF HI TAX

An employee (or self-employed person) who pays both social security and railroad retirement tax may claim any excess hospital insurance tax as a credit against his Federal Income Tax.

410. RAILROAD RETIREMENT HEALTH INSURANCE PROVISIONS

Unchanged.

NOTE: Sections following Section 410 have been added to incorporate new provisions to the law by the 1967 Amendments.

411. QUALITY AND COST CONTROL STANDARDS FOR DRUGS

A Formulary Committee is established effective on enactment. It will have 9 members -- 6 in the field of medicine and 3 DHEW officials. The functions and responsibilities of this Committee will be described in later issuances.

412. SMI PAYMENT ON BEHALF OF A DECEASED BENEFICIARY

The law now provides a list of payee priorities in cases where a beneficiary incurs Part B expenses and dies before program payment can be made and before an assignment, if any, is effected. In cases where a beneficiary dies and the bill has been paid (but reimbursement has not been made), the benefits will be authorized to the person who paid the bill, or where the enrollee paid the bill, to the legal representative of the estate. In the absence of a person who paid the bill or of a legal representative, payment will be made to relatives of the deceased in a certain order of priority.

413. COORDINATION OF TITLE XIX AND SMI PROGRAMS

The deadline for a State to request a "buy-in" agreement has been extended through 12/31/69. Individuals who become eligible (i.e., attain age 65 or become medically needy) after that date will also be covered.

414. ADVISORY COUNCIL TO STUDY MEDICARE FOR THE DISABLED

Under the 1967 Amendments, an Advisory Council will be appointed in 1968 to study the question of extending medicare to the disabled, including the as yet unmet need for health insurance protection, the costs involved in providing this protection, and the ways of financing such protection. The council is required to submit a report of its findings to the Secretary of HEW not later than than 1/1/69. The Council will be made up of 12 members appointed by the Secretary of HEW, equally representing employees, employers, self-employed, and the public.

415. STUDY OF ADDITIONAL SERVICES FOR COVERAGE UNDER SMI

The new law requires the Department of HEW to study the question of adding to the services now covered under Part B those services provided by other types of licensed practitioners performing health services in independent practice. The findings must be reported to the Congress prior to 1/1/69.

416. CIVIL SERVICE AND SMI

The law now permits "carriers" under the Federal Employees Health Benefits Act of 1959 to reimburse civil service annuitants for amounts equal to their Part B premium.

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